

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 176 - HB 201**

March 14, 2019

**SUMMARY OF BILL:** Requires Assessors of Property to assess certain property based on the value from its current use as affordable rental housing (ARH).

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – A precise decrease in local government property tax revenue cannot reasonably be determined.**

Assumptions:

- Rental property built utilizing Low Income Housing Tax Credits (LIHTC) is not eligible to be classified as ARH.
- The proposed legislation requires the Tennessee Housing Development Agency (THDA):
  - To determine annually which counties have a shortage of ARH;
  - Set annual county income limits for the following year that qualify different sizes of low-income households for ARH;
  - Set monthly rental rates that may be charged for ARH the following year in which a county has a shortage of ARH.
  - Provide applicable Assessors of Property with applicable income limits and monthly rental rates which must be met in order for rental housing to meet to be classified as ARH.
- Owners of rental housing may apply for a classification as ARH utilizing an application created by the SBOE and THDA.
- The State Board of Equalization (SBOE) and THDA will accomplish all requirements of the proposed legislation utilizing existing staff and resources.
- If the rental housing qualifies as ARH, the applicable assessor or property is required to assess the property on its value as ARH.
- Pursuant to Tenn. Code Ann. § 67-5-601(a), the value of property shall be ascertained from the evidence of its sound, intrinsic, and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values.
- The proposed legislation could result in properties classified as ARH being assessed at a lower value than they would have been valued in absence of this legislation. Assessing properties at a lower value will result in a decrease in local government property tax revenue collected.

- Based on information provided by THDA, currently there are approximately 1,315,154 rental units statewide, excluding LIHTC properties. Of those, 769,189 are currently classified as affordable rental units.
- Due to multiple unknown variables such as the extent of counties which will be found to have a shortage of ARH in any given year, the number of properties qualifying as ARH, the extent of difference in assessment of such properties based on their value as ARH as opposed to the assessment value of such properties in the absence of this legislation, the timing of any assessments, and the tax rate of the applicable local government entity, a precise mandatory decrease in local government property tax revenue cannot reasonably be determined.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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